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 C O N F I D E N T I A L MUSCAT 1408

DEPARTMENT PASS AID

E.O. 12356: DECL: OADR
 TAGS: EAID, PREL, MU
 SUBJECT: HOUSE ACTION ON ESF FOR OMAN

REF: STATE 063234

1. (CONFIDENTIAL - ENTIRE TEXT).

2. WE ARE CONCERNED THAT HFAC'S RECOMMENDATION AGAINST DOLS 5 MILLION INCREASE IN ESF APPEARS TO HAVE RESULTED FROM A LACK OF UNDERSTANDING BY THE HFAC OF JUST WHAT HAS BEEN ACCOMPLISHED SINCE THE JOINT COMMISSION FORMALLY OPENED ITS DOORS IN MAY 1981. THE COMMISSION IS NOW A FUNCTIONING VIABLE JOINT VENTURE BETWEEN THE TWO GOVERNMENTS. PROJECTS TOTALING DOLS 135 MILLION HAVE BEEN DESIGNED AND APPROVED WITH OMAN GOVERNMENT COMMITMENTS TO THESE PROJECTS TOTALING DOLS 67.2 MILLION. HFAC'S CRITICISM THAT THE RATE OF DISBURSEMENT OF U.S. OBLIGATION OF DOLS 35 MILLION THROUGH FY 83 IS TOO SLOW TO WARRANT INCREASING THE LEVEL OF ASSISTANCE SHOULD BE ADDRESSED. THE DISBURSEMENTS OF DOLS 890,000 THROUGH FY 83 DOES NOT REFLECT A LACK OF PROGRESS IN PROJECT IMPLEMENTATION. SINCE MOST OF THE PROJECTS UTILIZE THE COST REIMBURSEMENT METHOD OF DISBURSING FUNDS, PROGRESS IS NOT REFLECTED IN THE ACCRUED/ACTUAL DISBURSEMENTS UNTIL FY 84 AND FY 85. PROJECTED ACCRUED/ACTUAL DISBURSEMENTS AGAINST THE DOLS 35 MILLION OBLIGATED TOTALS DOLS 11 MILLION THROUGH FY 84 AND DOLS 14.4 MILLION IN FY 85 OR A TOTAL OF DOLS 25.4 MILLION (73 PERCENT). THIS IS A VERY GOOD RATE OF DISBURSEMENTS BY ANY STANDARD AND SHOULD SATISFY HFAC'S CONCERNS.

3. WE HOPE DEPARTMENT AND AID CAN USE THESE FACTS BOTH IN FOLLOW-UP DISCUSSIONS WITH HAMILTON SUB-COMMITTEE AND WITH APPROPRIATE SENATORS AND STAFFERS WHEN REQUEST IS REVIEWED ON SENATE SIDE. IF ADDITIONAL FACTS ARE REQUIRED, PLEASE ADVISE.

4. AMBASSADOR'S COMMENT: I AM PARTICULARLY CONCERNED THAT THIS PROBLEM IS ARISING AT THIS TIME, WHEN WE ARE EXPERIENCING A NUMBER OF PROBLEMS IN OUR MILITARY RELATIONSHIP WITH THE OMANIS. ONLY LAST WEEK DURING THE COURSE OF A GENERAL DISCUSSION OF JOINT COMMISSION MATTERS WITH MFA UNDERSECRETARY (AND OMANI JC CHAIRMAN) BATTASHI, BATTASHI EXPRESSED THE HOPE THAT JC FUNDING COULD BE INCREASED. I WAS ABLE TO POINT AT THAT TIME TO THE ADMINISTRATION'S REQUEST FOR THE ADDITIONAL FIVE MILLION DOLLARS FOR FY 85-- OF WHICH BATTASHI HAD BEEN PREVIOUSLY INFORMED--AND STATED THAT THIS ILLUSTRATED THE ADMINISTRATION'S DESIRE TO CARRY ON AND EVEN EXPAND THE COMMISSION'S ACTIVITIES. IT IS ESPECIALLY IMPORTANT THAT AS OMAN PASSES THROUGH A PERIOD IN WHICH IT IS WEIGHING THE POLITICAL

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COSTS AND BENEFITS OF A CLOSE COOPERATIVE RELATIONSHIP WITH THE US
IN THE DEFENSE AND SECURITY FIELDS THAT WE BE ABLE TO POINT TO A
STRONG JOINT COMMISSION EFFORT IN SUPPORT OF OMAN'S NON-DEFENSE
RELATED DEVELOPMENT NEEDS.

COUNTRYMAN

END OF MESSAGE

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